



Media Release

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Cautious small firms still doing the business

Small firms' confidence in the business environment fell back in March following a strong rebound in the previous quarter, according to ANZ's quarterly Business Micro Scope survey of small businesses.

However, firms remain more optimistic about their own prospects and their intentions to hire and invest, with measures of small business activity still above historical averages in all sectors except agriculture.

A net 20 per cent of small business owners say they expect to do more business over the coming year.

John Body, ANZ's Managing Director Retail & Business Banking and Wealth, said: "Though they're more cautious about the current environment, small firms are telling us they're still feeling good about their own activity and expect to expand, take on staff and do more business.

"These are key indicators for growth, which bodes well for the small business sector and our wider economy – particularly given that small firms make up over 90 per cent of New Zealand businesses and employ nearly a third of our workforce.

"Agriculture is understandably less upbeat in the face of current challenges in the dairy industry. But it's encouraging to see strength in other sectors and signs that firms are benefiting from being part of a more diversified economy."

Highlights from the March 2016 ANZ Business Micro Scope survey of small firms:

[Net percentages reflect the balance of sentiment, i.e. percent positive minus percent negative responses]

- Small firms' confidence in the business environment fell to +1%. It was +14% in December and -23% in September.
- Our composite measure (a key growth indicator taking in own activity, employment, investment and profit expectations) held respectable ground at +10%.
- **Wellington** (+16%) is the most upbeat region, followed by **Auckland** (+15%) and the **South Island outside Canterbury** (+14%). **Canterbury** slipped 2 points to +1%.
- The **Manufacturing** sector (up 7 points to +18%) led the way. **Construction** (up 2 to +12%) and **Retail** (up 5 to +12%) also rose. **Services** eased 2 points to +17%, while dairy concerns saw **Agriculture** post a fourth consecutive fall, to -17%.
- **Low turnover, Regulation, Lack of skilled staff** and **Competition** were ranked as the big four challenges facing small business owners in the year ahead. These have regularly been rated the top four challenges in recent years.

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ANZ BUSINESS MICRO SCOPE: TECHNICAL NOTES

The ANZ Business Micro Scope is a quarterly indicator which focuses on the prospects of small businesses across New Zealand. The survey was launched in March 2012 to address a lack of ongoing research specific to the small business sector. The Micro Scope covers a range of key business intentions and views on prospects for both respondents' own businesses and the wider economy. Figures released today cover the quarter to 31 March 2016.

The survey takes in responses from 250 firms, comprising *micro* (up to 5 staff) and *intermediate* sized businesses (6 to 20 staff). The sample is taken from the ANZ Business Outlook survey, which covers micro up to large businesses. Comparisons from before March 2012 are calculated by extracting corresponding data on small businesses from that survey, which goes back to December 1999.